BRITISH COLUMBIA
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BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca | Issue: 09-20 | May 22nd, 2009

- **Inflation rate falls to 0.3% in April as energy prices plunge 13.1%**
- **Retail sales down 1.4%; wholesalers post 4.5% decline in March**
- **BC's engineering services industry makes big gains in 2007**

Prices

- **British Columbia's year-over-year inflation rate dropped to 0.3% in April (down from 1.1% in March) as the cost of energy products fell 13.1%.** Excluding energy, the overall increase in the Consumer Price Index (CPI) would have been 1.6%.

  Transportation costs dropped 5.8% with prices for private (-7.0%) transportation decreasing substantially as gasoline prices fell 19.7% in April. However, prices for public transportation (+4.2%) continued to climb.

  The cost of shelter (-1.0%) was down for the first time since 2002, largely due to lower prices for fuel oil (-30.3%), natural gas (-3.3%) and owned accommodation (-1.7%).

  Food took a bigger bite (+7.2%) out of the household budget in April, pushed up by climbing prices for meat (+8.8%), fresh fruit (+16.6%) and veggies (+20.1%). The increased cost was reflected in food purchased from stores (+9.3%) as well as from restaurants (+3.3%).

  Inflation rates in Vancouver (+0.4%) and Victoria (+0.4%) were a touch higher than the BC average in April. *Data Source: Statistics Canada*

- **BC's Consumer Price Index (CPI) was slightly lower than that for the nation as a whole (+0.4%) last month.** The year-over-year inflation rate fell in all provinces, most notably in Alberta (-0.7%), which saw a pronounced decline in prices for natural gas (-36.9%). New Brunswick (-0.3%), PEI (-0.3%) and Nova Scotia (-0.4%) were the other provinces where the overall CPI was down from April 2008. Inflation rates were highest in Manitoba (+0.6%), Saskatchewan (+0.9%) and Ontario (+0.6%). Falling gasoline prices (-24.7%) and the cost of purchasing & leasing a passenger vehicle (-8.3%) were the main source of downward pressure on the national all-items index. *Data Source: Statistics Canada*

The Economy

- **Year-to-date, the value of building permits in the province was 42.6% lower than in the first three months of 2008, with all but one region recording double-digit declines.** Permits slumped most notably in Northeast (-76.7%), due to slowdowns in the institutional (-99.7%) and commercial (-92.9%) sectors coupled with a decrease in planned spending on residential projects (-55.9%).

  Other drops in the value of permits ranged from 49.2% in Mainland/Southwest, where much of the province's construction occurs, to 61.4% in Nechako. On the flip side, a 2.4% increase in the value of permits in Vancouver Island/Coast reflected significantly more spending on institutional and commercial projects. However, as in other regions, planned spending on both new residential and industrial projects in that region was well below 2008 year-to-date levels, such that the overall increase was minimal.

  Data Source: Statistics Canada & BC Stats

- **Retail sales in the province continued to decline (-1.4%, *seasonally adjusted*) in March.** Sales have fallen in all but four of the last fifteen months. The decrease in March reflected weakness among several sectors, including automotive, clothing and building & outdoor home supplies. Food merchandisers saw sales rise, albeit relatively marginally.

Report | **Tourism Sector Faced Challenges in 2008**

Did you know...
More British Columbians prefer the idea of stores offering bio-degradable plastic bags (39%) to no bags at all (26%) or reusable bags for a fee (21%). *Source: Ipsos Canada*

Sales inched up for the third month in a row for Canadian retailers (+0.3%), as increased sales by automotive dealers (+3.6%) managed to offset drops at other stores, including gas stations (-2.8%). Along with BC, Alberta (-1.8%) and Manitoba (-0.6%) were the only provinces to record a decline. Sales in Quebec soared by comparison (+2.0%).

Data Source: Statistics Canada

- **British Columbia's wholesalers saw sales slip 4.5% (*seasonally adjusted*) in March.** After falling for seven straight months, sales were at their lowest level since October 2005. Declines in the province were most substantive in the building supplies and automotive products sectors.

  Nationally, the downward trend also continued, with wholesale sales dropping 0.6%, following a similar decline in January (-0.9%). Most sectors continued to see lower sales, most notably for building materials and machinery & electronic equipment. Saskatchewan (-7.4%), BC, and Alberta (-3.5%) bore the brunt of the downturn in March. Conversely, some provinces posted gains, with PEI (+10.2%) and Manitoba (+3.3%) leading the way. Despite the overall national increase in March, wholesale sales stood 6.3% lower than the peak reached in September 2008.

  Data Source: Statistics Canada

Tourism

- **Traveller entries to Canada via BC inched down (-0.5%, *seasonally adjusted*) in March, reversing February's 0.4% gain.** Visitation from the US (-0.4%) was off, despite stable overnight trips (+0.1%), as there were fewer Americans on same-day (-1.4%) visits. The number of travellers from overseas countries also slipped (-1.0%), reflecting a notable downturn in European entries (-2.0%). Travel from Asia (+1.0%) was up, but significantly fewer visitors from other overseas countries (-3.4%) entered the province.

  In a similar picture, the number of Canadians returning home through BC eased (-0.5%) in March, following a 2.2% boost in February. There were approximately 640,000 travellers returning from the US, just slightly (-0.3%) fewer than in the previous month. Overseas travel (-1.4%) was down more markedly.

  Data Source: Statistics Canada

Engineering

- **Revenues in BC's engineering services industry expanded substantially between 2006 and 2007 (+23.2% to nearly $3.0 billion), bolstering the industry's profit margin to 17.0%.** Revenues rose 16.1% nation-wide over the same time period and the average profit margin for all of Canada was 12.9%. BC had the highest profit margin, while Nova Scotia had the lowest (4.2%). There were just over 3,700 engineering service establishments in BC in 2007, about 17% of the national total.

  Source: Statistics Canada

The Nation

- **The nation's composite leading index continued to fall in April (-1.1%), though most components fell less rapidly than the month before (-1.5% overall in March).** Much of April's decline can be attributed to a continuing retreat among the manufacturing indicators, with new orders falling 7.3%. The housing index was also down (-1.2%), as was expenditure on furniture & appliances, which contracted 1.2%. On the up-side, financial indicators showed strength as stock market performance inched up (+0.1%) and the money supply expanded significantly (+0.9%). In the US, the leading indicator was down 0.3% last month. *Data Source: Statistics Canada*

- **Canadians acquired $6.2 billion worth of foreign securities in March due to investment in foreign stocks ($4.0 billion) and bonds ($2.4 billion).**

  Similarly, foreign investors increased their holdings of Canadian securities by $6.9 billion as non-residents acquired more than $5.6 billion in money market paper, $648 million in bonds and $584 million in stocks. Canadian stock prices rose 7.4% in March, reversing six months of declines. Foreign investors have made purchases of Canadian securities totalling $23.3 billion so far this year.

  Data Source: Statistics Canada

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Contact: Lillian Hallin
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originally published in
Tourism Sector Monitor Issue 09-03

Tourism Sector Faced Challenges in 2008

Global slowdown affects travel

2008 was a challenging year for the global economy as a crisis that began in the financial sector spread to the rest of the economy in the US, Canada and overseas. North American economies, which had enjoyed a period of sustained and strong growth since the early part of the decade began to contract in the second half of the year. While some industries (such as auto manufacturing) were particularly hard-hit, the slowdown has affected virtually every sector of the economy.

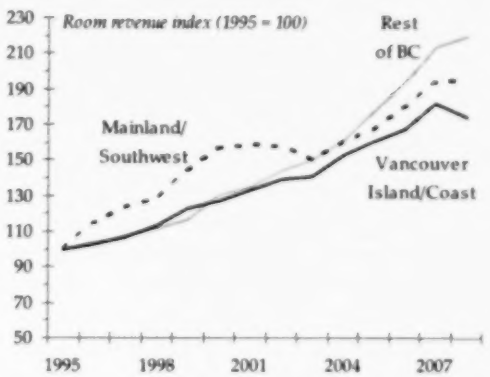
The effects of the global economic slowdown have been felt in British Columbia's tourism sector. Tourism is a discretionary expenditure that can be, and often is, postponed when consumers are uncertain about their economic future. As confidence has weakened, and consumers around the world have been tightening their belts, BC's tourism industries have been feeling the pinch of a downturn in tourism activities. Room revenues, visitor entries and traffic on the ferry system were all comparatively weak in 2008.

Room revenues posted weakest increase since 2003

Room revenues inched up just 0.6% in 2008, ending a four-year-long run of strong growth, which saw revenues climb at rates ranging from six to eight percent each year. This was only the second time since 1995 that room revenues have failed to post strong annual growth. In 2003, revenues dipped 1.4% in the wake of the SARS scare, which led to a significant decline in visitors from overseas sources, especially Asia.

The region hardest hit by the downturn in 2008 was Vancouver Island/Coast (-3.9%), which is usually popular with visitors from the US and overseas. Nechako (-3.0%), North Coast (-1.1%) and Kootenay (-0.9%) also saw revenues shrink during 2008. Mainland/Southwest (+0.9%), which accounts for more than half of total revenues in the province, fared better, and Northeast (+12.6%) posted a comeback after shrinking (-7.0%) in 2007.

Despite the recent slowdown, room revenues have increased significantly since the mid-1990s



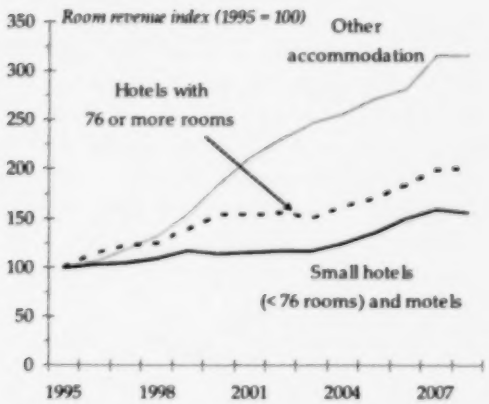
Data Source: BC Stats

Despite the recent slowdown, room revenues in the province have nearly doubled since 1995, with even stronger growth seen in some regions of the province. Northeast (+277%) and Thompson/Okanagan (+129%) have posted substantial increases over the long term, while Nechako (+44%) and Cariboo (+45%) have posted more modest growth.

Mainland/Southwest and Vancouver Island/Coast are home to the largest urban centres in the province, and this is reflected in the preponderance of large hotels in these regions. These hotels account for the bulk (more than

60%) of total room revenues, and while hotels with 76 or more rooms have outperformed small hotels and motels during the period since 1995, it is alternative types of accommodation that have made the biggest gains in the last 13 years. These include bed & breakfasts, which are an increasingly popular choice for leisure tourists and vacation rentals (vacation rentals are temporary accommodations such as condos or cabins rented out to visitors on a short-term basis). Fishing lodges and other types of temporary accommodations are also included in this category. Together, these "alternative" types of accommodations account for less than 14% of total room revenues, but that share has increased from 9% in 1995.

"Alternative" accommodations such as B&Bs and vacation rentals are playing an increasingly important role

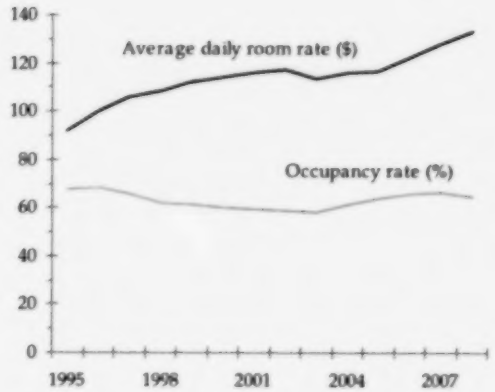


Data Source: BC Stats

Hotel occupancy down slightly in 2008

Hotel occupancy rates in the province dropped slightly in 2008, falling to just under 65%. Despite the decline, occupancy rates remain well above the 59% level recorded in 2001. Room rates climbed to an average of $133, an increase of 4.0% over the 2007 average.

Hotel room rates continue to rise

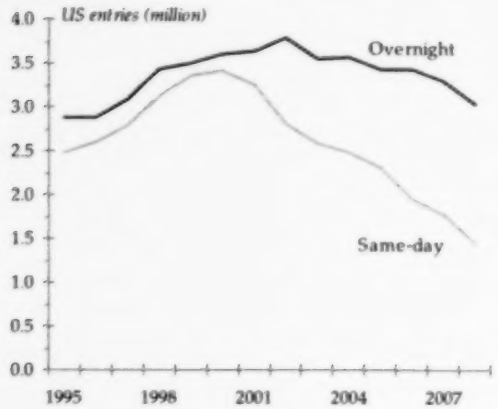


Data source: Pannell Kerr Forster

Visitor entries fall for the seventh time in eight years

Visitor entries were down 8.9% in 2008 as the number of travellers coming to BC from the US continued to plummet, while overseas entries lost momentum. The US is the most important source of international travellers to the province (accounting for three out of four visitors to BC), and entries from the US were down nearly 17% from 1995 levels. US entries had peaked at just over 7 million in 2000, but have been falling ever since. The decline in entries predated the events of 9/11, as the US economy entered a brief slowdown at the turn of the century, but events following the terrorist attacks appear to have kept travel from the US on a downward path. Same-day travel from the US is now less than half what it was in 2000, and while the number of overnight trips is also down, the decline has not been nearly as marked. Delays at the border, rising gas prices and exchange rates have almost certainly contributed to this, but there may well be other factors at play. There are no signs that a turnaround is imminent, since it is unlikely that the number of American travellers will increase significantly until economic conditions south of the border improve.

Same-day travel from the US continues to decline

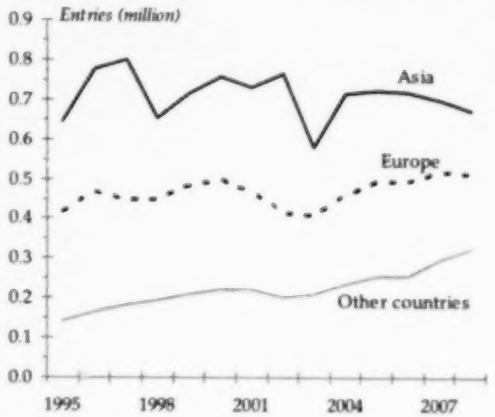


Data Source: Statistics Canada

In recent years, an increase in the number of overseas visitors has helped compensate for the downturn in travel from the US. However, entries from overseas were flat (-0.1%) in 2008 as travel from both Asia (-3.8%) and Europe (-1.0%) declined. However, entries from other countries increased 10.0%, building on even stronger growth in the previous year.

Asia is the most important source of overseas visitors to BC, and for many years, Japan was the province's biggest Asian market. While this is still true, the dominance of Japan has been declining as the number of visitors from Japan has dropped off significantly. At the same time, new Asian markets are developing. A growing number of Chinese residents are travelling overseas, and even though Canada does not yet have Approved Destination Status[1], the number of entries from China has increased to nearly five times the 1995 level. South Korea is also becoming a more important source of visitors to BC. Entries from South Korea have more than doubled since 1995.

Entries from Asia and Europe decline, but more travellers are coming to BC from other parts of the world



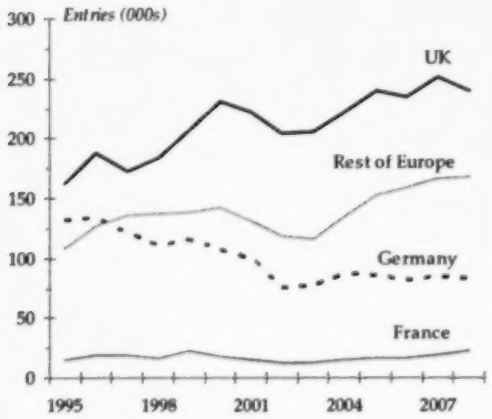
Data Source: Statistics Canada

New Asian markets developing as entries from Japan decline

†Includes Hong Kong & Taiwan
Data Source: Statistics Canada

[1] The Chinese government restricts travel abroad, but Chinese nationals can travel to countries with Approved Destination Status more easily than to those that do not have this designation.

UK still the most important source of European visitors



Data Source: Statistics Canada

The UK remains the biggest source of European visitors to BC, and has contributed to growth in entries from Europe in recent years. Visits from Germany, the province's second-biggest European market have dropped off, but entries from other countries continue to increase, as growing numbers of visitors from non-traditional European markets are coming to BC. As a result, total entries from Europe have increased quite significantly in the last few years.

BC is also capturing the attention of visitors from further afield. Entries from Mexico have increased to nearly six times the 1995 level, and in 2008, entries from Mexico (86,016) surpassed those from Germany (83,757) for the first time. Australia is another growing market. Entries from Down Under have nearly doubled since 1995, rising to 164,068 in 2008.

As BC prepares to host the 2010 Olympic Games, there may be opportunities to further develop these new markets, and to reengage the interest of visitors from some traditional markets that have been declining in recent years. There are some challenges, however. Asians in particular stayed away from BC during the SARS scare in 2003; and Asian entries, including those from Japan, have not yet returned to pre-SARS levels.

BC airports flying high; ferry traffic down

Passenger traffic through Vancouver International Airport increased in 2008 (+2.0%) boosted by continued growth in domestic travel (+3.6%). A total of 17.9 million travellers passed through the Vancouver Airport in 2008, more than half of them (9.3 million) on domestic flights. The number of international travellers was also up (+1.3%) but not as much as in 2007. However, transborder traffic through Vancouver's airport was off (-0.6%).

Domestic travel through Vancouver International takes off...

Data Source: Vancouver Airport Authority

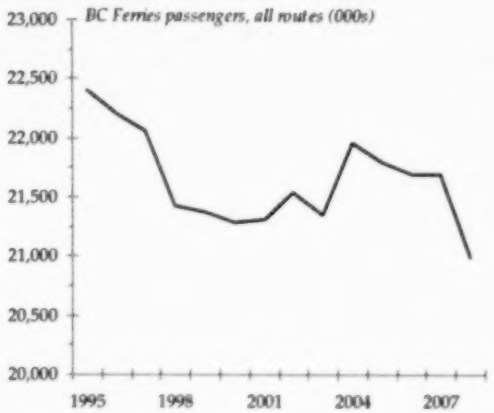
...and Victoria's airport was also flying high

Data Source: Victoria Airport Authority

Victoria International Airport also handled record numbers of travellers in 2008 (+3.8%), marking the sixth straight annual increase in the number of travellers. More than 1.5 million people flew into or out of the airport, nearly double the number in 1995.

Passenger traffic on BC Ferries declined in 2008, with about 700,000 fewer passengers travelling on vessels plying the waters off the BC coast. Vehicle traffic on the ferries was also down, but less significantly. Most of the people who use the ferries are travelling between Vancouver Island and the Mainland, and while many of them are local residents, the downturn in ferry traffic is reflected in the room revenue figures, which show a drop in revenues for the Vancouver Island/Coast region during 2008. Given the increase in traffic through the Victoria airport, it is possible that some travellers were opting to fly to or from the capital city, but this does not fully explain the drop-off in vehicle traffic. BC Ferries serves 14 times as many travellers as the Victoria airport, which is by far the largest airport in the region.

Ferry traffic down



Data Source: BC Ferries

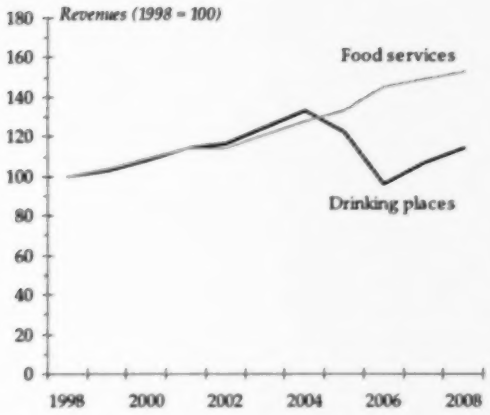
Restaurants and pubs still busy, but growth slows in 2008

Cash registers at food services and drinking places rang up 2.2% more sales in 2008 than in the previous year. This was the smallest increase recorded since 2002, and only about half the national increase (+4.2%). Revenues at drinking places rose a substantial 7.7%, but restaurants and caterers posted a more modest 2.6% increase. Despite the strong growth in 2008, BC's drinking places have not fared well during the last four years. Revenues dropped off sharply in 2006, and remain well below the 2004 level. Drinking places account for about 6% of total revenues in the industry.

The increase in revenues is partially due to higher prices for restaurant meals. During 2008, the cost of restaurant meals in the province rose 2.6%, partly in response to rising food prices. This suggests that the increase in 2008 was probably price- rather than volume-driven. Most of the clients at restaurants and pubs are locals; it is estimated that tourists account for just under a quarter of their business. The continued upward trend in restaurant revenues suggests that despite uncertain economic times

and rising prices, visitors and local residents are still patronizing BC eateries.

Revenues at drinking places making a comeback



Data Source: Statistics Canada

The Big Picture

Although there are some bright spots (restaurant and drinking place receipts were up, and the province's two biggest airports were busier in 2008 than in 2007), most of the indicators for which data is now available suggest that 2008 was not a stellar year for BC's tourism sector. This is hardly surprising, given the state of the global economy, particularly during the latter half of the year.

Industry-specific data provide important information, but do not give a "big picture" overview of what has been happening in the province's tourism sector. Gross domestic product (GDP) is a measure of the value added to the economy by all of the industries in the tourism sector: accommodation, food services, transportation, retailing, amusement & recreation services, and various others that provide goods and services used by tourists. Provincial-level GDP data for 2008 have not yet been published. Statistics Canada will be releasing this data at the end of April, at which time it will be possible to determine what happened in the sector as a whole during 2008. BC Stats prepares estimates of tourism sector GDP, employment and revenues, and these will be updated in the coming months and presented in more detail in a forthcoming issue of this report.

Infoline

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Issue 09–20

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also on the Internet at www.bcstats.gov.bc.ca or choose RSS

BC at a glance . . .

POPULATION (thousands)	Jan 1/09	% change on one year ago
BC	4,420.0	1.7
Canada	33,504.7	1.2
GDP and INCOME (Revised Apr 27)		
(BC - at market prices)	2008	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	199,214	3.5
GDP *($ 2002 millions)*	164,161	-0.3
GDP *($ 2002 per Capita) (reflects revised pop)*	37,466	-1.9
Personal Disposable Income *($ 2002 per Capita)*	26,110	3.3
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	2,755	1.4
Merchandise Exports - Mar	2,216	-10.0
Retail Sales - Mar	4,266	-1.4
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Apr 2009)		
BC	0.3	2.1
Vancouver	0.4	2.3
Victoria	0.4	2.0
Canada	0.4	2.1
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)	Apr '09	
Labour Force - BC	2,437	0.7
Employed - BC	2,257	0.8
Unemployed - BC	180	-0.2
		Mar '09
Unemployment Rate - BC *(percent)*	7.4	7.4
Unemployment Rate - Canada *(percent)*	8.0	8.0
INTEREST RATES (percent)	May 20/09	May 21/08
Prime Business Rate	2.25	4.75
Conventional Mortgages - 1 year	3.90	6.95
- 5 year	5.25	6.99
US-CANADA EXCHANGE RATE	May 20/09	May 21/08
(avg. noon spot rate) Cdn $ per US $	1.1434	0.9844
(closing rate) US $ per Cdn $	0.8769	1.0162
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)	Apr '09	
BC	802.16	3.9
Canada	800.33	3.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

BC Economic Accounts

With this release from Statistics Canada, preliminary estimates have been made for 2008 without revisions to previous years. BC gross domestic product (GDP), personal income, final domestic demand and trade flow data have been updated on our website.

www.bcstats.gov.bc.ca/data/bus_stat/econ_acct.asp

Demographic Atlas, Selected Indicators

The Demographic Atlas is a new mapping tool added to the BC Stats website. The 2008 population components by Local Health Areas (89 regions) can be visualized with this user-friendly, interactive, and powerful analytical application. It allows for comparison and correlation of two data sets, giving the user the ability to export the output to a document or slide show, yielding geographical analysis without the cost of expensive software or GIS knowledge.

We would like to thank the University of Victoria for their partnership, and welcome comments and enquiries.

www.bcstats.gov.bc.ca/data/pop/Atlas.asp

Dynamic Population Pyramid

One of the best tools for examining population age/sex structure and dynamics is the Population Pyramid. With this graph, one can view a region's age and sex structure with a glance, but with our dynamic pyramid tool the user can see the changing community population profile over time.

www.bcstats.gov.bc.ca/data/pop/PeopleDataViewer/pyramid.asp

Released this week by BC Stats

- Consumer Price Index, April 2009

Next week

- Quarterly Regional Statistics, First Quarter 2009
- Business Indicators, May 2009
- Current Statistics, May 2009

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